

Message Text

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ACTION AF-07

INFO OCT-01 EUR-08 ISO-00 CIAE-00 COME-00 EB-04 INR-05

LAB-01 NSAE-00 RSC-01 SIL-01 AGR-05 DODE-00 PA-01

USIA-06 PRS-01 SP-02 SS-15 NSC-05 /063 W

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R 011120Z OCT 74

FM AMEMBASSY DAKAR

TO SECSTATE WASHDC 8861

INFO AMEMBASSY ABIDJAN

AMEMBASSY BAMAKO

AMEMBASSY BANJUL UNN

AMEMBASSY CONAKRY

AMEMBASSY MONROVIA

AMEMBASSY NOUAKCHOTT

AMEMBASSY PARIS

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EO 11652: NA

TAGS: ECON, ELAB, SG

SUBJ: SENEGAL ADOPTS NEW WAGE-PRICE POLICY

MONROVIA FOR AGATT

PARIS FOR LABATT

1. SUMMARY. IN RADIO ADDRESS OCT 30, GOS PRIME MINISTER
ABDOU DIOUF ANNOUNCED NEW POLICY ON WAGES AND PRICES.
NEW PROGRAM FOLLOWS EXTENSIVE DEBATE WITHIN GOS AND
THROUGHOUT SENEGAL ON POLICY TO DEAL WITH INFLATION.
TO EASE SEVERE STRAINS ON GOVT TREASURY,
GOS IS SHARPLY DECREASING ITS SUBSIDY OF RETAIL PRICE
FOR BASIC COMMODITIES--RICE, SUGAR, AND PEANUT OIL.
TO COMPENSATE CONSUMERS FOR HIGHER PRICES, WAGES OF
GOVT EMPLOYEES ARE RAISED AND PRIVATE EMPLOYERS
WILL BE "ENCOURAGED" TO FOLLOW WAGE SCALE SET BY
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GOVT. PRODUCER PRICES FOR AGRICULTURAL CROPS

ALSO RAISED TO INCREASE INCOME OF FARMERS. END SUMMARY.

2. GOS HAS SET HIGHER PRICES FOR BASIC COMMODITIES:
RICE RAISED FROM 60 CFA KILO TO 100 CFA KILO, PEANUT
OIL FROM 142 CFA/LITER TO 200 CFA /LITER, AND CUBE
SUGAR FROM 150 CFA/KILO TO 250/CFA KILO. AT NEW PRICE
LEVELS GOS STILL WILL BE SUBSIDIZING RETAIL PRICES BUT
ON REDUCED SCALE. REPORTEDLY GOS WAS SPENDING 26 BILLION
CFA (\$110 MILLION) TO SUBSIDIZE BASIC COMMODITIES.
SUCH SUBSIDIES DRAINED OFF FUNDS MUCH NEEDED FOR
DEVELOPMENT INVESTMENT AND MADE IT VERY DIFFICULT TO
ATTRACT FOREIGN INVESTMENTS AND LOANS. BY SHARPLY
DECREASING DRAIN ON GOS RESOURCES, GOVT APPARENTLY
HOPES TO HAVE MORE FUNDS FOR NEEDED DEVELOPMENT INFRA-
STRUCTURE INVESTMENTS. GOS ALSO HOPES THAT BY RAISING
PRICES TO APPROX. LEVELS OF THOSE IN NEIGHBORING
COUNTRIES, SMUGGLING WILL BE DISCOURAGED.

3. PM ALSO ANNOUNCED RECORD INCREASE IN MINIMUM WAGE,
CIVIL SERVICE SALARIES, AND PENSIONS. (LAST INCREASE
JAN 1974 RAISED SALARIES 15 PC.) INCREASES FOR CIVIL
SERVANTS RANGE FROM 60 PC FOR LOWEST PAID CATEGORIES
(12,000 -15,000 CFA PER MONTH) TO 3 PC FOR THE HIGHEST
(OVER 150,000 CFA); FOR PENSIONERS, FROM 13 PC TO 82 PC.
WAGES IN PRIVATE SECTOR WILL RISE AT SIMILAR RATE, AT
LEAST 60 PC FOR LOWEST PAID. NEW RATES IN PRIVATE
SECTOR HAVE YET TO BE WORKED OUT IN DETAIL BY MINFIN,
AND THERE WAS NO ANNOUNCEMENT OF WHEN NEW RATES WILL
GO INTO EFFECT. LABOR LEADERS OF CNTS TOOK PART IN
DISCUSSIONS LEADING TO NEW WAGE POLICY, BUT HAVE MADE
NO COMMENT ON NEW WAGE-PRICE PACKAGE. GOS NOTED THAT
SENEGAL'S NEW AVERAGE MINIMUM WAGE, TO BE AROUND 105
CFA PER HOUR, WILL BE MUCH HIGHER THAN THAT OF OTHER
COUNTRIES AT SAME LEVEL OF DEVELOPMENT AS SENEGAL.
CURRENT WAGE HIKE SENEGAL'S THIRD SINCE AUG 73.

4. GOVT ALSO RAISING PRICES PAID BY ONCAD
(PRODUCE MARKETING BOARD) TO PEASANTS FOR AGRICULTURAL
COMMODITIES. PRICE FOR PEANUTS RAISED FROM 29.5 CFA/
KILO LAST YEAR TO 41.5 CFA/KILO FOR UPCOMING CROP.
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(GOS HAD PREVIOUSLY INDICATED NEW PRICE WOULD BE
35 CFA/KILO.) PRICE FOR MILLET RAISED FROM 28 TO 30
CFA/KILO; PADDY RICE FROM 35 TO 41.5 CFA/KILO, AND COTTON
FOR 33.9 TO 46.5 CFA/KILO. THERE HAD BEEN CONSIDERABLE
COMPLAINING THAT UNDER PREVIOUS SYSTEM PRODUCER PRICES
WERE HELD UNREALISTICALLY LOW TO ENABLE ONCAD AND
THUS GOS TO REALIZE REVENUE NECESSARY TO SUBSIDIZE
CONSUMPTION OF RICE, SUGAR, AND OIL. NEW POLICY SEEMS

TO REACT TO THAT CRITICISM ALTHOUGH ONCAD STILL APPEARS
TO HAVE GREAT POTENTIAL REVENUE AS ONLY MARKETING ORGANI-
ZATION FOR CROPS.

5. COMMENT: IN RECENT WEEKS, WAGE/PRICE SQUEEZE ON
SENEGALESE WORKER HAS BECOME ONE OF MOST URGENT
DOMESTIC PROBLEMS FACING GOS. PRESIDENT SENGHOR'S
PUBLIC STATEMENTS RECENTLY HAVE SOUGHT TO UNDERSCORTE
HIS GOVT'S CONCERN WITH PROBLEM, AND EXTRA-
ORDINARY EMPHASIS IS GIVEN NEW WAGE/PRICE MEASURE
IN TODAY'S LOCAL PRESS. WHILE LONGER RANGE EFFECTS
OF MEASURES REMAIN TO BE SEEN, EMBASSY BELIEVES SHORT-
TERM RESULT WILL BE TO GENERATE SUPPORT FOR SENGHOR/
DIOUF GOVT AND DEFUSE DOME OF POPULAR DISSATIS-
FACTION WHICH WAS BEGINNING TO FOCUS ON ECONOMIC POLICY.
DECON NOVEMBER 1, 1975.
AGGREY

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